Chief Secretary to Government.—

It depends upon all those qualifications and also the need for owning a fire arm.

Mr. H. M. Channabasappa.—

Will the Government be pleased to instruct local officers that licences for guns for purposes of protection of person and property should be given liberally?

Chief Secretary to Government.—

That is being done already.

Question time over, MR. J. MAHOMED IMAM said that it was a well-known fact that the Bhadravati Iron Works were incurring losses year after year and that it was absolutely necessary and desirable to consider in what way the losses could be reduced. In that connection Messrs. Bhashyam Aiyangar and Byanna had tabled resolutions on the budget suggesting the installation of a steel plant at the Works. The member requested the President to permit the House to discuss them and place its views before the Government.

This request was allowed and Budget Resolution No. 5 was accordingly taken up.

BUDGET RESOLUTIONS—(*Concluded*).

Resolution No. 5.

MR. B. L. BYANNA moved the following resolution :—

"This Assembly recommends to the Government of His Highness the Maharaja that adequate provision be made in the Budget for 1934-35 under the main head '40 Iron Works,' just to enable the department to carry on with the 'Steel Industry' as, otherwise, it is impossible to make good the loss that the department has already sustained."

In doing so, he said that the Government had invested nearly 3½ crores of rupees on the Iron Works and were sustaining heavy losses year after year. The reason for this was not far to seek. In the initial stages of the Works the price of pig iron was Rs. 90 per ton, and the cost of its manufacture was at about the same level. Therefore, with a view to reduce expenditure, drastic retrenchments were effected and establish-

ment charges were reduced. But then, the prices suddenly fell so that the cost of manufacture did not fall below the market price. If the original market rates had remained stationary, the concern would have earned good profits. But unfortunately, owing to trade depression, the iron industry also had to pass through hard times like other industries all over the world, with the result that the State was still losing heavily on the concern. Experts who were consulted as to how best the losses could be avoided were of the view that by adding a steel plant to the Works and manufacturing articles of daily use, such as agricultural implements, motors, bicycles, aeroplanes, etc., it would be possible to make the concern pay. War clouds seemed to be gathering in certain parts of the world and in case of an actual outbreak of war, the concern was sure to bring in a large profit. It was therefore necessary to provide funds for installing a steel plant in the Iron Works and for manufacturing agricultural implements and other articles of common use. With these remarks he commended the resolution for the acceptance of the House.

MR. V. V. IYER in seconding the resolution said that at present there was no market for pig iron and all finished articles required for consumption within the State were being obtained from foreign countries. If the pig iron was converted into articles of daily use, there was every chance of the locally made articles replacing the foreign imports, and the concern would then yield large profits. The question had come up in the past, but somehow, Government had not taken a decision so far. It was fairly certain now that unless and until a steel-making plant was set up, there was no chance of the Iron Works making a profit. Therefore it was necessary to make suitable provision in the budget for the purpose.

MR. J. MAHOMED IMAM supported the resolution. In doing so, he said that due to circumstances beyond its control, the concern had not so far been a profitable one. The world was going through a period of acute trade depression and the iron industry all over the world was sustaining loss, in common with other industries. To make the industry pay was rather difficult at present. The iron industry in the State was incomplete in the sense that it was not provided with a steel-making plant, with the result that certain articles which might have been manufactured locally could not be manufactured. This was the main reason why the concern was not paying. There was no demand for pig iron as such in the country and it was therefore being exported to

other countries and the prices depended upon the demand for the commodity. Instead of being exported, if the pig iron was converted into steel and at least certain of the agricultural implements and other articles of daily use were manufactured locally, there was every possibility of all the pig iron in the State being turned to profitable account. If, therefore, with an additional investment of Rs. 20 lakhs, the concern could be made to pay, no one need grudge the expenditure. Of course, in such huge industrial concerns, a certain amount of risk was always involved, but the risk was more than compensated by the fact that the Iron Works were providing employment to as many as 5,000 people and was helpful to that extent in solving the unemployment problem. Even from that point alone, the extra expenditure on account of the steel-making plant would be fully justified. He therefore appealed to Government to accept the resolution.

MR. N. G. SANJEEVIAH, in opposing the resolution, said that the arguments of the previous speakers in support of the resolution were not based on solid grounds. Their support should be taken only as an indication of their enthusiasm. He was doubtful of any profits accruing even if the steel plant was installed and worked. At present, the price per ton of pig iron was about Rs. 50. To convert this into steel another sum of Rs. 40 per ton would be necessary, and the total cost of steel would come up to Rs. 90 or even Rs. 100 per ton. Would it be possible to make any profit on the commodity when the manufacturing cost itself was so high? Certain foundries in Pondicherry were purchasing scrap iron at very low cost and manufacturing mild steel from it. During the war period they made some profits, but thereafter they had sustained heavy and continued losses and were giving up the industry altogether. Such being the case, he did not think that the proposed venture would be profitable under the present conditions in Mysore.

Referring to the suggestion made by the previous speakers that agricultural implements and other articles of daily use could be manufactured from locally made steel, Mr. Sanjeeviah said that some agricultural implements manufactured by the Industrial Workshops, were not satisfactory and there was no guarantee that the articles which might be manufactured at Bhadravati would find a ready sale and give satisfaction. On the whole, he feared that the proposal would involve the State in further losses.

As regards the argument that the Works provided

employment to a large number of men, Mr. Sanjeeviah said that nearly 90 per cent of them were outsiders and as such the State was not deriving much benefit even in that respect.

THE SECRETARY TO GOVERNMENT, DEVELOPMENT DEPARTMENT, contradicted the statement and said that except in the Foundry and the Machine Shop there were very few outsiders and that on the whole, not less than 95 per cent of the employees were Mysoreans.

Dharmapravartha M. L. NAGAPPA SETTY supported the above speaker. As a member of the Board of Visitors, he said he was in a position to estimate the percentage of Mysoreans at even 98 per cent.

Continuing, MR. SANJEEVIAH said that even the Tata Iron Works on which many crores of rupees had been invested could not stand competition with foreign markets and that in order just to keep them going, the Government of India had to subsidise them. Such being the case, it would not be possible for the Mysore industry to compete with foreign countries for any length of time. At present, the concern was enjoying so many concessions. For instance, raw materials were being supplied free, and for forest produce also no charge was being paid. Even in the matter of railway transport, the concern was shown some concessions.

THE FIRST MEMBER OF COUNCIL observed that the member did not seem to be correctly informed and that the Works were not enjoying any concessions from the Railway Department.

MR. SANJEEVIAH asserted that even if those concessions were granted, the Works would never work at a profit. Once the steel plant was started, so many additional items of expenditure would become necessary and the expenditure might even run up to another crore of rupees. Already a sum of Rs. 3½ crores had been wasted on the Works and the country could not afford to waste any more funds. With these remarks he opposed the resolution.

MR. B. NARAYANA REDDY said that after having spent nearly 2¼ crores of rupees on the concern, it was not advisable to close it down. If at all, the expenditure on the concern might be reduced. At present, the raiyats were purchasing sugar-cane crushing plants from the Madura Company. These plants might with advantage be manufactured by the Iron Works and sold at less cost.

THE FIRST MEMBER OF COUNCIL said that the concern referred to by the member purchased its iron requirements

from the Mysore Iron Works. The Bhadravati Works were manufacturing about 15,000 tons of iron and it was not possible for it to undertake the manufacture of such sundry articles, and all such things should be done elsewhere.

MR. B. NARAYANA REDDY said that the Government would do well to spend money on encouraging such industries instead of spending lavishly, for example, on buildings.

MR. SYED MOHIYUDDIN HUSSEIN said that he could not agree with the statements made by Mr. Sanjeeviah and added that on no account should the Works be shut down.

MR. MIR MAHOMED SAHIB also was of the same opinion.

Dharmapravartha M. L. NAGAPPA SETTY said that at present the iron industry was faced with depression in common with other industries owing to world conditions and any attempt to shut down the concern would be suicidal. At the time the industry was started, high prices were ruling; but they subsequently fell and they had not yet recovered. But he was certain that they would not continue to remain at the present low level for ever. There were already signs of improvement and prices were bound to rise in the near future. If they did not, then it would be time for considering what action should be taken. The reason for the concern not earning any profits in the past was that, in the first place, the price of pig iron was very low and, in the second place, the manufacture of by-products was not taken up from the very commencement. Owing to the prevailing financial depression, the Government had deferred new activities. If a paper plant and a steel plant had been added on to the Iron Works at the very beginning, losses would not have occurred at all. These, he said, should be done even now. If the Works were supplied with electric power, the Electrical Department would expect to make a decent revenue. Also, there was a large extent of land available for sugar-cane cultivation in the Bhadra Channel area. A sugar factory on a joint stock basis might be started there, and all these concerns worked by one common agency. With these remarks, he supported the resolution.

MR. K. T. BHASHYAM AIYANGAR said that for many years past, there was some dissatisfaction on the part of the people in respect of the Iron Works, because year after year the concern was involving the State in heavy losses. The question to be considered was whether the concern should be closed down with a view to avoid further losses, or whether its operations should be continued. The first alternative was not a sound one and it would be suicidal to decide upon

closing it down after having invested nearly three crores of rupees on it. On the other hand, if it was possible to make the concern yield some profit or at least pay its way by investing some more money on it, it would be worth trying. This question had been examined by the recent Retrenchment Committee and also by other experts. The opinion of the Retrenchment Committee was that the losses were due to the concern manufacturing only pig iron which was of not much use to the people. No doubt, the Government had recently opened a pipe foundry and were making some profits from it. But it was not enough. If the pig iron could be converted into steel and articles of daily use manufactured out of it, it might be possible to earn decent profits. The opinion of experts was that it would be possible to make the concern pay with the addition of a steel plant. Government might have hesitated to undertake the work if it had meant a very heavy expenditure for them. It was not so. The amount required was between about Rs. 16 lakhs and Rs. 20 lakhs. Even if the capital required for the purpose was to be borrowed, it was worth while doing so and spending it on the concern with a view to make it self-supporting.

As regards closing down the Works, he added that the Retrenchment Committee was of opinion that it was undesirable from any point of view if not indeed a piece of calamitous folly. In respect of erecting a steel plant, their view was that the scheme would be financially unobjectionable if it would help to enable the Works to prepare, instead of crude products that are unsaleable, a variety of articles which would find a ready and profitable market in India; and they had finally stated that any delay in coming to a decision on the matter might render the position worse and weaken the staying power of the Works. In view of the above recommendations, he said it was only right that the Government should decide to instal a steel plant.

MR. P. SUBBARAMA CHETTY said that Sir M. N. Krishna Rao had convened a meeting of leading merchants and industrialists in the State and invited their opinions on the question under discussion. If copies of the report of that conference were supplied to the members and some time was allowed for them to go through it, they would be able to give definite views in the matter. Otherwise, their opinions could only be very vague. There were many issues connected with the steel scheme. The most important point to be considered was whether the Government of India would give any protection to the industry by way of bounties or

imposition of import duties on foreign steel articles. That and other issues would have to be examined before taking a decision on this question. Also, a steel plant by itself might not be of much use; just as a weaving factory was a necessary adjunct to a spinning factory for increasing its profit, so also in the case of a steel plant, several other plants would be necessary to make it a profit-yielding concern. All these matters could be discussed in detail if the report of the meeting referred to above were made available to the members of the House.

THE DEWAN regretted that there was not enough time to give effect to this proposal.

MR. H. K. MADAIYA, in supporting the resolution, said that seeing that the Retrenchment Committee—on which the constitutional bodies were represented—had recommended the installation of a steel plant, the recommendation should be accepted and acted upon without any further delay.

MR. D. S. MALLAPPA however was strongly opposed to the resolution. He said that the vexed question of the Iron Works had often been discussed both in the Legislative Council and in the Representative Assembly and the consensus of opinion was opposed to wasting any more funds on the Works. At the time of starting the iron industry it was stated that the capital investment would amount only to Rs. 60 lakhs, but it had gone up to over 2 crores of rupees, apart from the sum of nearly Rs. 89 lakhs recently written off and losses to the extent of nearly Rs. 35 lakhs incurred so far. Over and above all these, the State had lost about Rs. 2 crores by way of interest on the capital invested. Besides all these, no debits were being made on account of iron ore and also of fuel supplied by the Forest Department. If all these were taken into account, it would be seen that the State had already lost 4 or 5 crores of rupees on the concern. As a result of these losses, the State's Treasury had been depleted considerably and the Government found itself unable to provide funds for so many nation-building activities such as expansion of education, medical aid, construction of school buildings, repairs to tanks, etc. It was therefore necessary to think a hundred times before investing any further sums on such a losing concern, because it was surely a question of throwing good money with bad. Industrial conditions all over the world were at present abnormal and disheartening, and no industry could be sure of any profits at such a time. In spite of the heavy import duties, the Japanese were able to sell their cotton goods in India at a much cheaper rate than

even English manufacturers. Such being the case, it would be futile on the part of the Government to think of competing with foreign countries and making profits. In these circumstances, instead of wasting any more money on the concern, Government would do well to utilize it for more useful activities for which there was both need and clamour.

Continuing, Mr. Mallappa said that Mr. Bashyam Aiyangar, in quoting the recommendations of the Retrenchment Committee, had quoted them only in parts, studiously avoiding portions not supporting his own view. For instance, the same report also contained Mr. Dasappa's view to the effect that he saw no reason to change his opinion expressed on previous occasions, *viz.*, that there could be no more inopportune time to embark on the steel scheme than the present one when the prices of steel had fallen very low and the finances of the State were anything but satisfactory. Mr. Chandrasekharaiya also had expressed the view that the scheme might be deferred till the financial position of the State improved. These opinions of the non-official members of the committee, he urged, deserved some consideration by the Government.

Mr. Mallappa thought that the addition of a pipe foundry had not in any way helped the Iron Works to pay their way. Even with the addition of a steel plant, it could not be said that the concern could maintain itself. The best thing therefore was to close down the Works for the time being. There would be nothing wrong or dishonourable in doing so. Even in western countries, factories were closed down whenever there was no demand for their products and re-started when conditions improved. From the fact that most of the industrial concerns under Government management had not paid their way it was evident that the Government could not manage industrial concerns just as private people did. There was no good spending vast sums of money and manufacturing a few sundry articles. The work should be done, if at all it was undertaken, in a thoroughly business-like fashion and the prices of the manufactured goods should also be reasonably low. Could the Iron Works conform to these standards even if a steel plant was put up? The member was afraid it would not be possible. The question therefore was whether, in the present financial condition of the State, it was advisable to launch upon the scheme. He for one thought that the present time was not opportune for venturing the scheme which bristled with doubts and difficulties. He therefore strongly opposed the

resolution with the observation that if at all the scheme was proposed to be tried, it might be done when the finances of the State improved.

In supporting the resolution, MR. L. VEMA REDDY mentioned that when he recently visited the Iron Works and got a first hand knowledge of the working of the concern, two main features struck him prominently, *viz.*, that it went a long way in providing employment to thousands of Mysoreans and that large quantities of pig iron produced there were being accumulated for want of adequate demand. He was told that if the pig iron could be converted into steel, a demand could be created for the entire stock. Further, it was easy enough to manufacture agricultural implements out of steel, which were at present being imported from foreign countries. Though the scheme was under the contemplation of the authorities for some years past, they could not give it a trial because of the financial stringency. Experts seemed to have opined that the concern would pay its way if the steel scheme was also launched upon. Having spent crores of rupees on it, Government could not make up their mind to lose all the amount by winding up the concern. If by making a further investment of Rs. 20 lakhs for the manufacture of steel, the Works could be made to yield an adequate return, he felt strongly that it deserved to be tried, as otherwise, there was no chance of making the concern self-supporting. Instead of blaming the management for continued losses on the Works, he was for giving them one more chance to try the steel scheme. If even then no improvement was shown, then the question of closing down the Works might be seriously taken up.

Rao Sahib M. RAMASWAMI pointed out that the question had been discussed both in the Assembly and outside a number of times. Several people had taken a pessimistic view and said that it was a mistake to have started the Works. Both His Highness the Maharaja and the Dewan were keenly alive to the importance of industrial development in the State and that was how the State had been enabled to undertake several industrial schemes; so much so, that other Indian States and British Indian provinces had begun to emulate the example of Mysore. So far as the Bhadravati Works were concerned, it was really praiseworthy that Government had undertaken such a big key industry. If the Works were incurring losses, it was not due to any defects in management but to the general depression in trade which was world-wide. Even in industrially advanced countries of the West, concerns

manufacturing iron were faced with the same slump. It had to be remembered that experts and firms of international fame like Messrs. Marshall and Perin were of the opinion that the iron industry in Mysore was bound to succeed, provided a steel plant was installed.

As regards the doubts expressed by some previous speakers about the proportion of Mysoreans employed in the Works, he said that from the one taluk of Mandya alone, as many as 3,000 people had been absorbed in the Works establishment. Thus the Iron Works were serving a very useful purpose in solving the unemployment problem. He requested the Government not to mind the opposition from certain quarters to the proposed installation of a steel plant. Even at the time of floating the Sugar Company, the Government were faced with any amount of opposition, but experience had soon proved that they were none the worse for having started it. In the matter of every new venture, there was bound to be some opposition. All the same, Government would be justified in making a headway especially in industrial development. He had every hope that, as in the case of the match industry, the Government of India would come to the rescue of the steel industry also by granting a subvention to it at least for a few years. In this view, he earnestly recommended the starting of the steel scheme without further delay.

Speaking in favour of the resolution, MR. HOSAKOPPA KRISHNA RAO admitted that it was within the common knowledge of everybody that Government had invested crores of rupees on the Bhadravati Iron Works, but that the concern was working at a heavy loss. The question for consideration was whether to close down the Works in view of the losses or see whether those losses could be avoided by investing some more money. His own opinion was that it would be a short-sighted policy to wind up the concern. As against the extracts read out by Mr. Mallappa from the report of the Retrenchment Committee, the speaker cited certain other extracts from the same report, including the opinion of the Chairman of the Committee, which definitely favoured the steel scheme. He also referred to the suggestions that were being made frequently that the Works be handed over to private hands and said that it would be well to remember that at this time of acute depression, no private agency would be forthcoming to take over the concern. Economists were always of opinion that State initiative and direction were absolutely necessary for any large industry to thrive in

India; and so far as Mysore was concerned, no private capitalist nor even a joint stock company could possibly manage the Iron Works. So, the only alternative was to continue the Works under State management. And when a steel-making plant was set up, it was very likely that the Government of India would grant a subvention to the Mysore industry as they had done in the case of the Tata Iron and Steel Works at Jamsbedpur. There was no use condemning the action of the Government in having invested large sums on the Iron Works in the past. At present, wisdom lay in making sure that the concern would not continue to lose in future also. And for that, he thought, it would be well worth investing Rs. 20 to Rs. 22 lakhs on the new enterprise.

Khan Bahadur MAHOMED ABBAS KHAN asked the House to consider whether it would be wise to wind up the concern after having invested more than Rs. 3 crores. He was of opinion that it should never be done. The problem was how to wipe out the losses. Though he himself had criticised the management in the past for not having worked the concern at a profit, he would not be a party to closing down the Works. And in order to wipe out the losses and give the Works one more chance, the steel scheme should be started. If steel was prepared, it was hoped that manufacture of agricultural implements, etc., could be undertaken locally and the large sums of money which were now going out of the country retained within the State.

MR. K. SUBBA RAO mentioned that two of the most important metals available in the State were gold and iron. The costlier one, *viz.*, gold, was in the hands of foreigners and the cheaper, *viz.*, iron, in the hands of the State. The proposal to close down the Iron Works was tantamount to suggesting that the State should forego even this cheapest of metals, and to this nobody should agree. The Government had to bear in mind that if the Works were closed down, the unemployment problem would become more acute. Besides, all the machinery over which lakhs of rupees had been invested would rust and become unfit for future use. Not only that; if all the trained mechanics and the skilled labourers should go away to other works, at the time of re-starting the work they might not be available. So, the concern, he said, should be kept going and in order to wipe out losses, the steel-making plant should also be installed.

MR. B. S. PUTTASWAMI, in opposing the resolution, explained that the Works were started with the object of adding to the wealth of the country, but what had happened

was just the reverse. The argument advanced by supporters of the solution was that, having spent already Rs. 3 crores on it, it was worth while risking another Rs. 20 lakhs. The economics of that suggestion reminded him of the mentality of the banker who went on advancing loans to his sinking clientele in the hope of their early recovery, until at last his policy landed him in an irreparable catastrophe. So far as the future of the Iron Works was concerned, he suggested that one of two courses should be adopted: (i) to close down the Works; or (ii) to continue it by investing further capital on it in the hope of making it pay its way. In making a choice as between the two courses, it was advisable to remember the fact that ever since its starting, the concern had not earned any profit at all. All the same, some seemed to entertain a distant hope that it might pay in days to come; and on the strength of that hope, they thought it worth while to risk another Rs. 20 lakhs. The Government had no spare money to risk like that. The 20 lakhs of rupees would have to be borrowed by paying a lakh of rupees every year by way of interest, which would have to be met from the general revenues. Perhaps, a sinking fund would also have to be provided for repaying it and also contributions made towards it from the general revenues. Meanwhile, the expenditure on the steel scheme would not stop with Rs. 20 lakhs. It might be necessary to take electric power, for which the Gersoppa Falls might have to be harnessed. Like that, each scheme would lead the Government on to further schemes, and he asked the Assembly to consider whether the present was an opportune time for all that. There was acute economic distress among the raiyats and they were yearning for concessions of many kinds; but owing to financial stringency, Government had been unable to grant any relief. At such a time, he wondered why, on mere considerations of prestige, the Government should risk a large expenditure on such a scheme of doubtful success. Of course, he would have no objection to their trying new experiments when they had reserve money but he would certainly oppose such experiments with borrowed funds. So far as the steel scheme went, experts were not sure that the Iron Works could be made to yield profits when there was a general slump even in western countries. The liabilities of the State had mounted to several crores of rupees and Government were finding it hard to meet even the interest charges. So, rather than spending Rs. 20 lakhs on the steel plant, he would

divert funds for restoring tanks and granting remissions to the raiyats.

In conclusion, he warned the Government against launching on the scheme merely for the sake of advertisement.

Mr. W. H. Hanumanthappa regretted that the previous speaker should have aimed at destroying with one blow an industry which had been built up over a long series of years. The benefit of long experience of patriotic administrators who were authors and promoters of the scheme should not be brushed aside simply because it did not yield profits for a time. It had been acknowledged on all hands that the losses were due to unforeseen causes which were universal. If the Works should make profits, the steel plant should be attempted. Several years ago, when he was engaged on prospecting work near Sakrebyle, he had come across several hills which were an inexhaustible store of iron ore. They were all ready to be tapped. With such unlimited natural resources, there should be no hesitation in investing some more funds on the Iron Works in order to save them from languishing. If this was done, he had no doubt that the industry would thrive. He exhorted the Assembly to be patriotic enough to encourage a local industry and cultivate the *Swadeshi* spirit.

Mr. H. B. Gundappa, in opposing the resolution, said that it would not promote the best interests of the State. Ever since the Bhadravati Iron Works were started 15 years ago, the Government had spent more than Rs. 3 crores of the poor raiyats' money, which worked out at Rs. 7 per head. If another Rs. 20 lakhs was wanted, the raiyats would be indirectly contributing at the rate of 5½ annas per head again. This was a time of acute financial stringency, when Government were unable to grant even some little relief to hard-hit raiyats by way of land revenue remission or give adequate grants for essential needs of the villages like provision for education, drinking water wells and dispensaries. At such a time, it would be inadvisable and unjust to waste Rs. 20 lakhs more on speculative ventures. So he would appeal to Government to close down the Works temporarily. Even if the steel plant was installed, the local industry could not stand competition in open market, because foreign companies were sure to under-sell their goods and then there would be no demand for the local products. If such a situation arose, the steel plant could not be expected to wipe out losses and also yield profits. For these reasons, he was not in favour of the proposal to instal a steel plant.

MR. H. M. CHANNABASAPPA pointed out that large grants had been given to the Iron Works year after year for the past 15 years, in addition to large capital investments, all of which had been lost. The financial position of the State did not justify any further investments without a guarantee of proper return. The taxable capacity of the raiyat had reached the breaking point and he could bear no more additional taxation. All the reserve funds of the State had been exhausted and its financial condition was going from bad to worse Tanks were allowed to continue in utter disrepair and expansion of education neglected. At such a time, Government were asked to borrow Rs. 20 lakhs and invest on an industrial concern without any guarantee as to its success. If more capital was invested on such doubtful projects he was afraid that Government would have to pay dearly for it in the future. If, instead, the same amount was utilized for granting remissions to the agriculturists, they would be ever grateful to the Government and the name of the Dewan would go down to posterity.

MR. S. K. VENKATARANGIENGAR dissociated himself with the criticisms levelled against the Iron Works by Messrs. B. S. Puttaswami and H. B. Gundappa. The economic principles enunciated by them were far from being sound. It was sound economics for the State to invest money on industrial development. Every State should grant subventions and aid the starting of more and more industries. While both the speakers referred to above had demanded additional grants for development departments, they were not consistent in demanding the closing down of the Iron Works. They wanted expansion of education, at the same time ignoring the fact that the Iron Works also had their own educative value. Personally, he would suggest the Works being made an adjunct to the University, with the name of an industrial workshop. Graduates of the University might be deputed to Bhadravati to learn work and get trained to start cottage industries in the State instead of being deputed to Europe and America with the help of the Damodardas Scholarship Fund.

As regards the pipe foundry, he had no doubt that it would make better profits if all the District Boards and Municipalities in the State went in for pipes manufactured at Bhadravati. It would be a national calamity to think of closing down the Works. Though there was ample scope for the development of the Works, no headway was possible because of political disabilities. He had no doubt

that the disabilities would be removed in the near future. As the question of an All-India Federation would become an accomplished fact within the next two years, he had no doubt the Mysore Iron Works also would receive the necessary stimulus by way of a subvention and be able to compete in open market with foreign countries. The speaker hoped that India would get Swaraj within the next ten years and appealed to Government to keep the Works going till then, because he had no doubt that thereafter the Iron Works were bound to thrive.

As regards the suggestion to suspend the Works temporarily, he agreed with Mr. K. Subba Rao that it was economically unsound to do so, as the plant would, in that case, become unfit for future use and skilled labour also might not be available. Continuing, the speaker said that the attempt on the part of some members to tack on this question with the grant of land revenue remissions appeared to him to be in the nature of a vote-catching device. It was a mistake to think that industrial development had anything to do with agricultural relief. The real advancement of a nation depended on the progress of its industries. The iron industry being a key industry, it would be a reflection on the good name of Mysore to think of closing it down. By suggesting such action, the members of the Assembly would be exposing themselves to blame both by Indian India and British India. Nationlist leaders like Mahatma Gandhi and Pandit Malaviya who had visited the Works had pronounced it to be a national asset. As such, he considered that any contrary opinion would be a gross misrepresentation of fact. In advanced western countries, all key industries were State-owned, with the result that they were making rapid progress.

For these reasons, he thought that it was the duty of the State to set up a steel plant and also to show every possible concession to the iron industry.

On a point of personal explanation, MR. B. S. PUTTASWAMI said that he had not coupled the question of agricultural relief with industrial development and that it was his opinion that funds for more popular needs should be provided before schemes like installation of a steel plant were undertaken.

SRIMATI D. SAKAMMA, speaking next, endorsed the statement that it would be a short-sighted policy to think of closing down the Iron Works after having spent over Rs. 300 lakhs on them. And if the suggestion was accepted and all the 8,000 people who were earning their livelihood there were

thrown out of employment, Government would have to face the extreme difficulty of having to find jobs for them, which was impossible. At the same time, she thought that Government should try every possible means of making the Works yield profits; and from that point of view, it would be well to invest Rs. 20 lakhs, as proposed, if that was likely to stabilise the iron industry in Mysore.

MR. MUNIVENKATAPPA welcomed the steel scheme as it would provide the agriculturists of Mysore with locally made tools, etc. He always felt it a pride to use Mysore-made articles, and in this view he said he had great pleasure in supporting the resolution.

In the course of his reply to the debate, MR. BYANNA, thanked the members who spoke in support of his resolution. He said that most of the points raised by the opposers having been answered by Mr. S. K. Venkatarangiengar, he would only make a brief reply. As regards the reference made to the opinions of some of the non-official members of the Retrenchment Committee of 1931, he said that at the time those opinions were expressed, there was a deficit of Rs. 60 lakhs in the State's budget. The position had vastly improved since and there was a surplus budget this year. Even in deficit years, Government had not hesitated to make adequate provision for material development and as such, they would be fully justified in sanctioning a capital expenditure of Rs. 20 lakhs for the steel plant, the same being spread over a number of years. The speaker deprecated the attempt on the part of certain members to misguide the House into the belief that if the resolution was carried, the position of the agriculturist would be rendered worse. Even if the steel scheme failed, he assured the House that its capital value would not depreciate on that account.

He reminded the House that even at the time of starting the Sugar Factory there was a lot of opposition to it. Still the Government proceeded with the scheme and now the State was being complimented for it on all sides. It was not a right policy to give up new enterprises in a fit of pessimism. As experts had recommended the scheme, he appealed for the unanimous support of the House to the resolution.

Before the resolution was put to the vote, the FIRST MEMBER OF COUNCIL thought that it would be useful to let the members know certain particulars, and mentioned the following facts:—

So far, a total expenditure of Rs. 220 lakhs had been incurred on the Iron Works excluding losses on account of

working expenses, interest, and depreciation charges. Every year, the Works were operating at a loss and the question of reducing the loss in working expenses was being examined continuously. The expenditure on account of establishment was being reduced from time to time.

The Board of Management had also under contemplation the question of further reducing the working expenses and effecting retrenchments to the extent of about Rs. 4,000 a month under establishment charges. The cost of charcoal was also expected to be reduced from Rs. 30 to Rs. 24 per ton. In spite of all this, he was afraid that so long as the Works manufactured only pig iron, the annual recurring losses could not be avoided altogether. That question had been examined very carefully and his own opinion was that, at best the losses could be limited to Rs. 1 lakh a year if Government manufactured only pig iron. Instead of closing down the Works Government were considering whether there was no other way of avoiding losses. One way that had been suggested was to manufacture steel. The steel scheme had been placed before the Tariff Board. The original estimate for it was Rs. 16 lakhs. But as, during the enquiry of the Tariff Board, the manufacture of certain other kinds of products had been suggested, the cost of the plant had gone up. For that reason as well as owing to the rise in the exchange of the German marks, the estimate had now gone up to Rs. 20 lakhs, excluding the cost of electric plant. Government would try to reduce the cost as far as possible, but it was thought best to be prepared if necessary, to go up to Rs. 22 lakhs.

As regards further details of the scheme, he explained that the cost of manufacturing steel was estimated at Rs. 5-8-0 per cwt. It could be sold at Bangalore at Rs. 6-12-0. The Works could manufacture 14,000 tons of steel and it had been ascertained that the whole quantity was likely to be consumed locally. The market conditions were being studied; competition from the Tatas and from foreign firms was possible; and a new rolling mill was proposed to be started at Negapatam. All these factors were being considered in order to decide whether the venture could prove a success. Simultaneously with this study, the recommendation of the Tariff Board for affording protection to the steel industry was being awaited. The report of that Board had not yet been published, and after publication, it would go before the Legislative Assembly which would vote upon the question. It was too early to guess what protection would